



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 12, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **CUNNINGHAM GROUP HOME FISCAL REVIEW – A GROUP HOME
FOSTER CARE CONTRACTOR**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of Cunningham Group Home (Cunningham or Agency) from January 1 to December 31, 2009. Cunningham is licensed to operate one group home (GH) with a resident capacity of six children. Cunningham is located in the Second Supervisorial District.

DCFS and the Probation Department contract with Cunningham to care for foster children placed in the Agency's home. DCFS paid Cunningham \$4,291 per child per month, based on a rate determined by the California Department of Social Services, for a total of \$300,134 in 2009.

The issuance of our report to your Board was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal audits. To enable Cunningham to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management on August 5, 2010.

Summary of Findings

Our review disclosed no unallowable or questioned costs. However, Cunningham needs to strengthen its internal controls over disbursements, petty cash,

personnel/payroll records, fixed assets, and Board meetings. Details of our findings are discussed in Attachment I.

DCFS should ensure that Cunningham's management takes action to address the recommendations in this report, and monitor to ensure that the actions result in permanent changes.

Review of Report

We discussed our report with Cunningham's management on January 19, 2011. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates the Agency's general agreement with our findings and recommendations.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including but not necessarily limited to Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report will be forwarded to DCFS in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank Cunningham's management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Jackie Contreras, Ph.D., Interim Director, DCFS
Donald H. Blevins, Chief Probation Officer
Cynthia McCoy-Miller, Administrative Deputy, DCFS
Beatrice Cunningham, Executive Director, Cunningham Group Home
Board of Directors, Cunningham Group Home
Cora Dixon, Bureau Chief, Foster Care Audit Bureau, CA Dept. of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

Cunningham Group Home
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

Our review disclosed no material unallowable or unsupported/inadequately supported costs.

Applicable Regulations and Guidelines

Cunningham is required to operate its group home (GH) in accordance with the following federal, State and County regulations and guidelines:

- GH Contract, including the Auditor-Controller Group Home Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (OMB Circular A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted several contract compliance and internal control weaknesses. DCFS should ensure that Cunningham's management takes action to address the recommendations in this report. DCFS should also monitor to ensure actions result in permanent changes.

Disbursement Controls

A-C Handbook Section B.2.1 requires all supporting documentation be referenced to a check number, and marked "paid" or otherwise canceled to prevent reuse or duplicate payments. The Agency did not mark five (50%) of ten invoices/receipts we reviewed "paid".

We also noted that Cunningham paid an independent contractor twice a month, instead of weekly as required by the contract. This resulted in an underpayment of \$200 to the contractor. The Agency needs to ensure payments are made in accordance with the contract requirements.

Recommendations**Cunningham's management:**

1. **Ensure that all supporting documentation is marked "paid" or otherwise canceled to prevent reuse or duplicate payments.**
2. **Ensure that payments to independent contractors are made in accordance with the contract requirements.**

Petty Cash Controls

A-C Handbook Section B.2.3 states that a petty cash fund may be kept for payment of small incidental expenses, and should not be used as a substitute for normal purchasing and disbursement practices. The petty cash fund should be maintained on an imprest basis.

The Agency used petty cash as a substitute for normal purchasing and disbursement practices, and did not consistently document the purpose and nature of expenses. Specifically, the Agency used petty cash to purchase clothing, food and household supplies, which are not small incidental expenses. The Agency spent an average of \$1,300 per month in petty cash during the year, which appears to be excessive for a six-bed facility.

In addition, Cunningham did not maintain the petty cash fund on an imprest basis, and supporting documentation for petty cash transactions did not agree with the amount disbursed. For example, in February 2009, the Agency issued two disbursements totaling \$990, but provided \$1,096.22 in receipts as support for these disbursements.

Recommendation

3. **Cunningham's management ensure that petty cash is not used as a substitute for normal purchasing and disbursement practices, petty cash expenditures include a description of the purpose and nature of the expense, and the petty cash fund is maintained on an imprest basis.**

Payroll/Personnel Controls

CDSS-MPP Section 11-402 requires that supporting documentation be maintained for all program expenditures, including salary rates. In addition, A-C Handbook Section B.3.4 states the County may refer to the Child Welfare League of America (CWLA) Salary Study to establish a reasonable level of compensation for Agency personnel. Section B.3.1 also requires all time cards be signed in ink by the employee and the employee's supervisor to certify the accuracy of the reported time.

- Eight (80%) of ten employee personnel files did not contain any record of the authorized salary rates, and the remaining two (20%) files contained inaccurate salary rate information. We determined that all salaries paid were reasonable based on the CWLA Salary Study.
- One (10%) of ten time cards was not signed by a supervisor.
- Two (20%) of ten salary payments were incorrectly calculated, resulting in an overpayment to one employee and an underpayment to the other. We also identified one instance where the number of hours recorded on a time card did not agree with the total hours paid. The payment discrepancy was subsequently identified and resolved. The Agency needs to ensure time cards and payroll payments are consistently reviewed for accuracy.

Recommendations

Cunningham's management:

4. **Ensure that personnel records include the employee's authorized salary rate.**
5. **Ensure that supervisors consistently review employees' time cards to certify the accuracy of the reported time.**

Fixed Assets

A-C Handbook Section B.4.2 requires the Agency to maintain a current listing of fixed assets, including the item serial number, acquisition cost and sources of funding. The Agency should also tag all fixed assets purchased with contract funds, and conduct an inventory of all fixed assets at least once a year, to ensure all fixed assets are accounted for and maintained in proper working order.

We noted that the Agency's fixed assets are not tagged, and an inventory of assets is not conducted annually, as required. While Cunningham does maintain a fixed asset listing, it does not include some required information, such as the serial number, acquisition cost and source(s) of funding for each item.

Recommendation

6. **Cunningham's management ensure that all fixed assets purchased with County funds are appropriately tagged, that an inventory of all fixed assets is conducted at least annually, and that the listing of fixed assets includes the serial number, acquisition cost and source(s) of funding for each item.**

Board Meeting Minutes

California Corporations Code 5215 requires that Board meeting minutes be certified by the Board's secretary to serve as evidence that the meeting was held, to document who was in attendance and to memorialize the adoption of bylaws, resolutions, etc. The Agency's board meeting minutes were not certified by the Board Secretary.

Recommendation

7. **Cunningham's management ensure that board meeting minutes are certified by the Board Secretary.**



ANTONIA JIMÉNEZ
Acting Director

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

February 17, 2011

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

Beatrice Cunningham, Executive Director
Cunningham's Group Home
P.O. Box 1638
Inglewood, CA 90308

Dear Ms. Cunningham:

AUDITOR-CONTROLLER'S FISCAL AUDIT REPORT ON CUNNINGHAM'S GROUP HOME – A GROUP HOME FOSTER CARE CONTRACTOR

We have reviewed your fiscal corrective action plan (FCAP) in response to the Auditor Controller's fiscal audit report for the period of January 1, through December 31, 2009. The FCAP fully addresses the audit report 7 recommendations (see Attachment III).

DCFS requires that Cunningham's Group Home, submit all FCAP-related documents; as requested in our response to the FCAP (see Attachment III) by March 30, 2011.

If you have any questions, please contact Ali Gomaa-Mersal of my staff at (213) 351-3209.

Sincerely,

A handwritten signature in cursive script, reading "Latisha Thompson".

Latisha Thompson, ASM III
Fiscal Monitoring and Special Payments

Attachments

- c: Mike McWatters, Chief Audit Division (via electronic mail only)
- Russell Lingo, Principal Accountant-Auditor (via electronic mail only)

**FISCAL REVIEW OF
CUNNINGHAM'S GROUP HOME - A GROUP HOME
FOSTER CARE CONTRACTOR**

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP, submitted by Cunningham's Group Home, status of each recommendation is summarized as follows:

- 7 Recommendations (1 – 7) were fully addressed.
- Recommendations () were partially addressed.
- Recommendations () directed to the Department were addressed.

Recommendation Status

1. **Cunningham's management ensures ensure that all supporting documentation is marked "paid" or otherwise canceled to prevent reuse or duplicate payments.**

Agency Proposed FCAP: *Cunningham's GH will ensure that all invoices and bills will be mark "**PAID**", dated, check number and the initials of the person who made the payment to eliminate duplicate payments.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

2. **Cunningham's management ensures that payments to independent contractors are made in accordance with contract requirements.**

Agency Proposed FCAP: *Cunningham's GH will review and ensures that payments to independent contractors are made in accordance with the contract to eliminate any over or under payment.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

3. **Cunningham's management ensure the petty cash fund is maintained on an imprest basis, that petty cash disbursements are not used as a substitute for normal purchasing and disbursement practices and that petty cash expenditures include a description of the purpose and nature of the expense.**

Agency Proposed FCAP: *Cunningham's GH has established the petty cash fund on an imprest basis. The petty cash fund will not be used as a substitute for regular purchasing or disbursement practices. The petty cash recap form will include the date, amount, item description and the purpose of the expense.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

4. **Cunningham's management ensures that personnel records include the employee's authorized salary rate.**

Agency Proposed FCAP: *Cunningham's GH has established a Salary Authorization form. This form will itemize the date, amount increase/decrease from – to, the reason for the increase/decrease and the name who authorized the change.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation and copy of the Salary Authorization Form to Fiscal Monitoring and special Payment Unit.

5. **Cunningham's management ensures that supervisors consistently review employees' timecards to verify the accuracy of the reported time.**

Agency Proposed FCAP: *Cunningham's GH will ensure that supervisors will consistently review all employees' timecards to verify the accuracy of the hours work before they are process for payment.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

6. **Cunningham's management ensures that all fixed assets purchased with County funds are appropriately tagged, that an inventory of all fixed assets is conducted at least annually, and that the listing of fixed assets includes the serial number, acquisition cost and source(s) of funding for each item.**

Agency Proposed FCAP: *Cunningham's GH will ensure that all fixed assets purchased with a cost value of \$500.00 or more and purchased with County funds will be appropriately accounted for. An annual inventory will be performed and all fixed assets will be tagged. In addition a fixed assets list will be keep that will include the serial number, acquisition date, cost, and source of funding for the acquisition.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

7. **Cunningham's management ensures that board meeting minutes are certified by the Board Secretary.**

Agency Proposed FCAP: *Cunningham's GH will ensure that the minutes for all board meetings conducted by the agency will be certify by the official Secretary of the Board.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation and copy of the last board meeting minutes to Fiscal Monitoring and special Payment Unit.